



**Ndwedwe Local Municipality
Annual Financial Statements
For the year ended 30 June 2011**

I, am responsible for the preparation of these annual financial statements, which are set out on pages 3-42, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclose in Note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearer Act and the Minister of Provincial and Local Governments determination in accordance with this Act.

Ms GJ Majola
Municipal Manager

Date

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GENERAL INFORMATION

MEMBERS OF THE EXECUTIVE COMMITTEE

Mayor Councillor M Hadebe

Deputy Mayor Councillor BE Blose

Speaker Councillor MJ Zondi

Member of Executive Committee Councillor MP Busane

Member of Executive Committee Councillor NP Ngcobo

Member of Executive Committee Councillor RM Cele

Member of Executive Committee Councillor BJ Shoji

Member of Executive Committee Councillor KW Madlala

GRADING OF LOCAL AUTHORITY

Grade 2 Low Capacity Municipality

AUDITORS Auditor-General

BANKERS First National Bank, Verulam Branch

DOMICILIE AND LEGAL FORM The domicile and legal form of the Municipality is a Category C Municipality as established in terms of the Local Government: Municipal Structures Act No. 117 of 1998 and the Municipal Systems Act No 32 of 2000. Part 1: Section 21 of the Local Government Demarcation Act No. 27 of 1998 allowed the Demarcation Board authority to determine the boundaries of the Municipality.

MUNICIPAL MANAGER: Ms. GJ Majola

CHIEF FINANCIAL OFFICER: Mr SK Khoza

Ndwedwe Local Municipality
Annual Financial Statement for the year ended 30 June 2011

Statement of Financial Position as at 30 June 2011

	Note	2011	2010
		R	R
Net Assets and Liabilities			
Net Assets			
Accumulated Surplus/(Deficit)	2	93 891 854	66 963 931
		93 891 854	66 963 931
LIABILITIES			
Non-Current Liabilities			
Long term liabilities	3	2 529 527	2 757 047
Non-Current provisions	4	-	-
		2 529 527	2 757 047
Current Liabilities			
Deposits	6	-	-
Current Provisions	4	1 189 591	1 064 932
Trade Creditors	7	1 203 599	8 064 042
Unspent conditional grants and receipts	8	7 401 185	10 253 037
Bank Overdraft	9	-	-
Current portion of long-term liabilities	3	1 156 128	890 484
		10 950 502	20 272 495
Total Liabilities			
Total Net Assets and Liabilities		107 371 879	89 993 473
Assets			
Non-Current Assets			
Property, plant and equipment	10	96 160 972	65 692 818
Intangible assets	11	1 606 159	1 592 504
Investments Properties	10	-	-
Investments	12	-	-
Long term receivables		-	-
		97 767 131	67 285 322
Current Assets			
Inventories	13	-	-
Investments	12	-	-
Consumer Debtors	14	2 870 476	2 249 654
Debtors	15	1 233 395	301 516
Current portion of long-term receivables		-	-
VAT	17	1 890 869	947 860
Call Investment Deposits	16	-	-
Cash and Cash Equivalent	9	3 610 006	19 209 121
		9 604 746	22 708 151
Total Assets		107 371 879	89 993 473

NDWEDWE LOCAL MUNICIPALITY

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Statement of Financial Performance as at 30 June 2011

	Note	2011	2010
		R	R
Revenue			
Assessment Rates	18	2 660 689	2 532 566
Service Charges	19	-	-
Rental Income		69 117	124 125
Government Grants	20	76 623 405	56 373 750
DBSA Grant			434 800
Public Donations		120 000	
Interest Received - External Investments	21	1 064 009	2 287 885
Interest Earned - Outstanding Debtors	21	50 383	-
Profit on sale of assets	21	181 962	-
Other Income	21	207 775	457 887
Total Revenue		80 977 339	62 211 013
Expenditure			
Employee related costs	23	18 155 943	15 033 116
Remuneration of Councillors	24	7 172 912	6 587 187
Bad Debt		-	-
Collection Cost		-	-
Depreciation, amortisation and impairments		-	2 909 079
Repairs and maintenance		2 811 872	2 409 730
Finance Charges	25	588 021	620 918
Provisions	26	319 807	369 176
Bulk Purchases	27	-	-
Contracted Services		2 810 435	-
Capital Grants - Equitable Share		-	-
General Expenses	28	16 436 009	20 206 581
Loss on disposal of Assets		-	-
Total Expenditure		48 294 999	48 135 787
Surplus for the year		32 682 340	14 075 226

Refer to appendix E (1) for the comparison with the approved budget

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Statement of Changes in Net Assets

	Capital Replacement Reserve	Government Grants Reserves	Donations and Public Contributions Reserves	Capitalisation Reserve	Total Reserves	Accumulated Surplus/ (Deficit)	Net Assets
	R	R	R	R	R	R	R
2010							
Balance at 1 July 2009	-5 855 936	-36 719 623	-281 183	-2 549 194	-45 405 936	-50 935 979	-50 935 979
Change in Accounting Policy						-88 894	-88 894
Transfer Reserves		-22 275 430		-1 530 225	-23 805 655	-23 805 655	-23 805 655
Transfer from Reserves		2 599 992	30 260	278 827	2 909 079	2 909 079	2 909 079
Correction of Error						-1 863 835	-1 863 835
Surplus/(Deficit) for the year						-14 075 225	-14 075 225
Property, Plant and Equipment purchases						1 530 225	1 530 225
Capital grants used to purchase property, plant and equipment				-		22 275 430	22 275 430
Offsetting of Depreciation						-2 909 079	-2 909 079
Balance as at 30 June 2010	-5 855 936	-56 395 061	-250 923	-3 800 592	-66 302 512	-66 963 933	-66 963 933
2011							
Balance at 1 July 2010	-5 855 936	-56 395 061	-250 923	-3 800 592	-66 302 512	-66 963 933	-66 963 933
Change in Accounting Policy						-	-
Transfer Reserves		-35 986 552		-435 125	-36 421 677	-36 421 677	-36 421 677
Transfer from Reserves		2 634 374	17 266	744 750	3 396 390	3 396 390	-
Transfer to Accumulated Surplus				1 106 793	1 106 793		
Correction of Error						-	-
Assets Transferred Distribution Account		2 358 028			2 358 028	2 358 028	2 358 028
Surplus for the year						-32 682 340	-36 297 356
Property, Plant and Equipment purchases						435 125	435 125
Capital grants used to purchase property, plant and equipment				-		35 986 552	35 986 552
Offsetting of Depreciation							3 396 391
Balance as at 30 June 2011	-5 855 936	-87 389 211	-233 657	-2 384 174	-95 862 978	-93 891 855	-97 506 870

Ndwedwe Local Municipality

Annual Financial Statements for the year ended 30 June 2011

Cash Flow Statement

	Note	2011 R	2010 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from Customers	1	-87 213 858	-64 720 013
Cash paid to suppliers and employees	2	93 720 677	64 654 042
Cash Generated from Operations	29	6 506 819	-65 971
Interest Income		1 064 009	2 287 885
Finance Costs		-588 021	-620 920
Net cash from operating activities		6 030 831	1 600 994
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	10	-37 313 549	-23 805 655
Proceeds on Disposal of Property, Plant and Equipment	10	209 326	
(Increase)/Decrease in current investments		15 599 115	0
Increase on Non Current Investments			
(Increase)/Decrease in non-current receivables		0	0
Net Cash from investing activities		-21 505 108	-23 805 655
Cash flows from financing activities			
Repayment of other financial liabilities		889 559	689 499
Increase/(Decrease) Current Creditors		-6 860 443	6 583 712
Decrease/(Increase) in consumer debtors		-620 825	-553 059
Decrease/(Increase) in conditions grants		2 851 853	7 685 452
Net cash from financing activities		-3 739 856	14 405 604
Net (decrease) / increase in cash and cash equivalents		-19 214 133	-7 799 057
cash and cash equivalents at the beginning of the year		19 209 121	27 008 179
cash and cash equivalents at the end of the year	9	-5 012	19 209 121

Notes on cash flow statement calculations

Note 1 - Cash receipts from ratepayers, government and other (R'000)

Total Revenue

Adjustment for:

Interest earned – external investments

Interest earned – outstanding debtors

Dividends received

Gain on disposal of PPE

Bad debts

Working capital changes:

Increase in consumer debtors

Increase in other debtors

Decrease in unspent conditional grants and receipts

Cash receipts

Note 2 - Cash paid to suppliers and employees (R'000)

Total Expenditure

Adjustment for:

Depreciation

Interest paid

Repayment of Current Liabilities

Contribution to provisions - non-current

Contribution to provisions – current

Working capital changes:

Decrease in inventories

Increase in creditors

Increase in VAT

Cash paid

Note 3 - Purchase of property, plant and equipment (R'000)

Property, plant and equipment purchased is calculated as follows:

PPE balance at 30 June 2010

Carrying value of PPE disposed of

Depreciation for the year ended 30 June 2011

PPE balance at 30 June 2011

Property, plant and equipment purchased

Note 4 - Proceeds on disposal of property, plant and equipment (R'000)

Carrying value of PPE disposed of

Gain on disposal of PPE

Proceeds on disposal of property, plant and equipment

Additional Information: The purchase of property, plant and equipment for amount of R9 819 911 include amount of R 891 872 for assets acquired through a Finance lease

2010/2011	2009/2010
82 810 474	61 043 493
-1 064 009	-2 287 885
-50 383	-
-	-
-181 962	-
-	-
-620 825	-1 721 047
-146 308	-
6 466 870	7 685 452
87 213 858	64 720 013
-94 020 872	-53 453 753
-4 015 000	-2 909 079
-588 021	-620 918
-889 559	-763 380
-	-
-124 659	-323 200
-	-
6 860 443	-6 583 712
-943 009	-
-93 720 677	-64 654 042
77 170 407	51 070 751
-949 374	2 294 000
-12 368 731	-9 885 085
-101 165 850	-67 285 321
-37 313 548	-23 805 655
-	-
-	-
-	-

APPENDIX A
NDWEDWE LOCAL MUNICIPALITY
Statement of Comparison of Budget and Actual Amounts

[illegible]

ACCOUNTING POLICIES

1. BASIS OF PRESENTATION

The annual financial statements have been prepared on accrual basis in accordance with the Standards of Generally Recognised Accounting Practice (GRAP). The Financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

The Municipal Entities are required to apply the Standards of GRAP where the Minister has determined the effective date. The Minister has determined the effective date for the following Standards of GRAP:

GRAP 1	Presentation of the Financial Statements
GRAP 2	Cash flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 4	The effects of Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Cost
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Investments in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP10	Financial Reporting in Hyperinflationary Economics
GRAP 11	Construction Contracts
GRAP 12	Inventories
GRAP 13	Leases (GRAP13)
GRAP 14	Events After The Reporting Date
GRAP 16	Investment Properties
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of Non Cash Generating Assets
GRAP 23	Revenue from Non-Exchange Transactions
GRAP 24	Presentation of Budget Information in Annual Financial Statement
GRAP 26	Impairment of Cash Generating Assets
GRAP 100	Non-Current Assets Held for Sale and Discontinued Operations
GRAP 101	Agriculture
GRAP 102	Intangible Assets
GRAP 103	Heritage Assets

Accounting policies for material transactions, events or conditions not recovered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SAGAAP) including any interpretations of such Statements issued by the Accounting Practices Board.

The municipality has taken advantage of the Accounting Standards Board Directive 4 (Transitional Provision for the adoption of Standards of GRAP by Medium and Low Capacity Municipalities – Dated February 2008) with regards to GRAP 17 Property Plant and Equipment and GRAP 102 Intangible Assets.

Directives issued and effective:

- Directive 1: Repeal of Existing Transitional Provisions in, and Consequential Amendments to, Standards of GRAP
- Directive 2: Transitional Provisions for the adoption of Standards of GRAP by entities, Municipal Entities and Constitutional Institutions
- Directive 3: Transitional Provisions for the adoption of Standards of GRAP by High Capacity Municipalities
- Directive 4: Transitional Provisions for the adoption of Standards of GRAP by Medium and Low Capacity Municipality
- Directive 5: Determining the GRAP reporting Framework
- Directive 7: The adoption of Deemed Cost on the Adoption of Standards of GRAP

Interpretation of the Standards of GRAP

IGRAP apply the Probability Test on Initial Recognition of Exchange Revenue

Approved guidelines of Standards of GRAP:

Guide 1 Guideline on Accounting for Public Private Partnerships

Effective accrual based IPSAS's considering the provisions in paragraphs .15 to .19 of the Directive:

IPSAS 20 Related Party Disclosure
IPSAS 21 Impairment of Non-Cash-Generating Assets

Effective IFRS's and IFRIC's that are applied considering the provisions in paragraphs 20 to 26 of the Directive:

IFRS 3 (AC 140) Business Combinations
IFRS 4 (AC 141) Insurance Contracts
IFRS 6 (AC 143) Exploration for and Evaluation of Mineral Resources
IFRS 7 (AC 144) Financial Instruments: Disclosure
IAS 12 (AC 102) Income Taxes
IAS 19 (AC 116) Employees Benefits
IAS 32 (AC 132) Financial Instruments: Presentation
IAS 36 (AC 128) Impairment of Assets
IAS 39 (AC 133) Financial Instruments: Recognition and Measurements
SIC 21 (AC 421) Income Taxes – Recovery of revaluated Non- Depreciable Assets
SIC 25 (AC 425) Income Taxes – Changes in the Tax Status of an entity or Its Shareholders

SIC 29 (AC 429) Service Concession Arrangements: Disclosure
IFRIC 2 (AC 435) Members Shares in Co-operative Entities and Similar Instruments
IFRIC 4 (AC 437) Determining whether an Arrangement contains a lease
IFRIC 9 (AC 442) Reassessment of Embedded Derivatives
IFRIC 12 (AC 445) Service Concession Arrangements
IFRIC 13 (AC 446) Customer Loyalty Programmes
IFRIC 14 (AC447) IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note First-time adoption of International Financial Reporting Standards.

1.1 BASIS OF CONSOLIDATION

The basis of consolidation of financial statements are presently not applicable due to the fact that the municipality have no investments with other entities nor is it involved in any joint ventures at present.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis although the main source of revenue is equitable share received from Government.

1.4 Standards, amendments to standards and interpretations issued but not yet effective

GRAP 18: Segment Reporting – Issued March 2005:

Compliance with this standard would have had an effect on the presentation only. Financial information would have been reported by segments. The disclosure of this information will assist users of the financial statements to better understand the entity's past performance and to identify the resources allocated to support the major activities of the entity.

GRAP 25: Presentation of Employee Benefits – Issued November 2009

Compliance to the standard would have an effect on the presentation only. Financial information has been reported in notes to Annual Financial Statements and statement of performance. The disclosure of this information will assist users of the financial statements to evaluate the nature of the entity defined plans and the financial effect in those plans during the reporting period.

GRAP 104: Financial Instruments – Issued October 2009

Compliance to the standard would have an effect on the presentation only. Financial information has been reported in the notes to the Annual Financial Statements.

GRAP 105: Transfer of Functions between Entities under Common Control – Issued November 2010

The compliance to the standard would have no effect on the present presentation of the Annual Financial Statement. However should in the future it be necessary to transfer functions between entities under common control will the accounting policy be amended to cater for such transfer.

GRAP 106: Transfer of Function between Entities Not Under Common Control – Issued November 2010

The compliance to the standard would have no effect on the present presentation of the Annual Financial Statement. However should in the future it be necessary to transfer functions between entities not under common control will the accounting policy be amended to cater for such transfer.

GRAP 107: Mergers – Issued November 2010

The compliance to the standard would have no effect on the present presentation of the Annual Financial Statement. However should in the future there be a merger between entities will the accounting policy be amended to cater for such merger transactions and disclosure.

1.5 HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.6 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated regarding their estimated useful lives. Land is not depreciated as it is deemed to have an indefinite live.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. At present the Municipality has in terms of Directive 4 of the Accounting Standards Board and Gazette 30013 opted to make use of the three year transitional phase-in period allowed in terms of paragraph 75 and 78 of directive 4 issued by the Accounting Standard Board. Consultants have been appointed to itemize assets components where the useful life is different.

Where an asset is acquired by the municipality for no or nominal consideration, the cost is deemed to be equal to the fair value of that asset on the date acquired.

Subsequent Measurement

Subsequent to initial recognition, items for property, plant and equipment are measured at cost less accumulated depreciation and impairment identified during the financial period. Land was not depreciated due the fact that it is deemed to have an indefinite useful life.

Where parts of assets are replaced, the replaced part is derecognised and the new part is capitalised. Expenditure on an asset is capitalised only when it increases the capacity or future economic benefits associated with the asset.

Depreciation only commences when the assets are ready for their intended use.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset

Details of assets class and life-span in years

Infrastructure

- Roads 15 years
- Economic Development 20 years
- Stormwater Drainage 20 years
- Street Lighting 20 years

Community

- Buildings 30 years
- Recreational Facilities 20 – 30 years

Other property, plant and equipment

- Buildings 30 years
- Informal Markets 30 years
- Building Improvements 20 years
- Heavy and mobile plant 10 years
- Furniture and fittings 7 years
- Vehicles 5 years
- Bins and containers 5 years
- Plant – general 5 years
- Security System 5 years
- Office equipment 3 - 5 years
- Other items of Plant and equipment 3 – 5 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Provision is made for this obligation in accordance with the Municipalities accounting policy on non-current provisions – See Accounting Policy 1.12 on provisions.

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The Municipality test for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance

1.7 INTANGIBLE ASSETS

Initial Recognition

Intangible assets are initially recognised at cost and comprise of software acquired by the municipality.

At present the Municipality has in terms of Directive 4 of the Accounting Standards Board and Gazette 30013 opted to make use of the three year transitional phase-in period allowed in terms of paragraph 75 and 78 of directive 4 issued by the Accounting Standard Board. Consultants will be appointed to itemize assets components where the useful life is different.

Computer software is capitalised to computer equipment where it forms an integral part of computer equipment.

Subsequent Measurements

The cost of an intangible asset is depreciated over the useful life where that life is finite. Where the useful is indefinite, the asset is not depreciated but is subject to impairment tests.

Depreciation

Depreciation is charged so as to write off cost of intangible assets over their estimated useful lives, using the straight line method as follows:

Computer Software 5 years

1.8 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an assets may be impaired. If there are any such indications the municipality estimates the recoverable amount of the asset.

1.9 FINANCIAL INSTRUMENTS

Initial recognition

Financial instruments are initially recognised at fair value.

Subsequent Measurements

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables. Financial liabilities are categorised at fair value through profit or loss or financial liabilities carried amortisation cost. The subsequent measurement of financial assets and liabilities depends on categorisation and, in the absence of an approved GRAP standard on Financial instruments, is it terms of IAS39.

Debtors

Debtors are recognised at fair value and measured at amortised cost using the effective interest method, less provision for impairment (Bad Debt). A provision for impairment of debtors is established when there is objective interest evidence that the municipality will not be able to collect all amounts due according to the original terms of the debtors.

The amount of the provision is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognised in the Statement of Financial Statement.

An estimate is made for doubtful debts based on the categorisation of debts and a review of past trends in collection rates applied to all outstanding amounts at year-end.

Creditors

Trade creditors are stated at cost

Cash and cash equivalents

For cash flow purposes cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are recorded based on the facilities utilised. Finance charges on bank overdraft are expensed as incurred.

Borrowing and other financial liabilities

Borrowings are recognised initially at fair value, net of transaction cost incurred. Borrowings are subsequently stated at amortised cost: any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of financial performance over the period of the borrowings using the effective interest method.

Long term borrowings are non-derivative financial loans and the municipality does not financial loans for trading purposes. Long term borrowings are utilised solely for capital projects and the book value is disclosed at amortised cost.

Other financial liabilities are carried at amortised cost.

Loans and receivables

Loans and receivables are non-derivative financial assets with a fixed or determinable payments that are not quoted in the active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Statement of Financial Position at cost.

1.10 INVESTMENTS

The Municipality classifies its investments in the following categories: loans and receivables and held-to-maturity investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-valuations this designation at every reporting date.

1.11 Inventories

Initial Recognition

Inventories are initially recognized at cost. Cost general refers to the purchase price, plus taxes, transport costs and any other cost in bringing the inventories to their current location and condition.

Subsequent Measurement

Consumable stores and maintenance materials are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the First in First out method.

1.12 Borrowing Costs

Borrowing Cost is recognised as an expense in the period in the Statement of Financial Performance.

1.13 PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

1.14 RETIREMENTS BENEFITS

1.14.1 PENSION OBLIGATIONS

The municipality and its employees contribute to two pension funds that cater for the majority of the staff. The KZN Pension Fund is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

Defined benefit plans

The municipality provides retirement benefits for its employees. The contributions to fund obligations for the payment of the retirement benefits are charged against revenue in the year they become payable. The defined funds, which are administered on a provincial basis, are actuarially valued triennially according to the Discounted Cash Flow and Discontinuance Method Approach.

Defined contribution plans

The municipality provides retirement benefits for its employees. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year it becomes payable. The defined contribution funds, which are administered on a provincial basis, are actuarially valued triennially according to the Discounted Cash Flow and Discontinuance Method Approach.

1.15 REVENUE

Revenue comprises of the consideration received or receivable for the sale of goods and services in the ordinary course of the Municipality's activities. Revenue is shown net of value added tax, estimated returns, rebates and discounts and after eliminated revenue within departments of the Municipality. Revenue is recognised as follows:

1.15.1 Revenue from Exchange Transactions

Service charges relating to sundry services are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Interest and rentals are recognised on a time proportion basis.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a

1.15.2 Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.16 GRANTS, TRANSFERS AND DONATIONS

Income received from conditional grants, donations and subsidies is recognised to the extent, that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised and funds are invested until utilised.

Interest earned on the investments is treated in accordance with grant conditions. If it is payable to the funder, it is recorded as part of the creditor. If it is the Municipality interest, it is recognised as interest earned in the Statement of Financial Performance.

Grants and receipts of a revenue nature: Income is transferred as revenue to the Statement of Financial Performance to the extent that the criteria, conditions or obligations have been met.

1.17 LEASES

Finance Leases – The Municipality as lessee

Finance leases are recognised as assets and liabilities in the statements of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating Leases – The Municipality as lessee

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of financial performance over the period of the lease.

1.18 TAX

The municipality is exempted from tax in terms of section 10(1)(a) of the Income Tax Act.

1.19 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 COMPARATIVE INFORMATION

1.22.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current financial year only.

1.22.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

Notes to the financial statements

2. Accumulated Surplus

Accumulated Surplus/Deficit

	Capital Replacement Reserve	Government Grants Reserve	Donations and Public Contributions Reserve	Capital Reserve	Total Reserves	Accumulated Surplus/ (Deficit)
2010						
Balance at 1 July 2009	5 855 936	36 719 623	281 183	2 549 194	45 405 936	50 935 979
Change in Accounting Policy						88 894
Transfer to Reserves		22 275 430		1 530 225	23 805 655	23 805 655
Transfer from Reserves		-2 599 992	-30 260	-278 827	-2 909 079	-2 909 079
Correction of Error		-			-	1 863 835
Surplus for the year				-	-	14 075 225
Property, Plant and Equipment purchases				-	-	-1 530 225
Capital grants used to purchase property, plant and equipment			-		-	-22 275 430
Offsetting of Depreciation						2 909 079
Balance as at 30 June 2010	5 855 936	56 395 061	250 923	3 800 592	-	66 302 512
2011						
Balance at 1 July, 2010	5 855 936	56 395 061	250 923	3 800 592	66 302 512	66 963 933
Change in Accounting Policy		-		-	-	-
Transfer to Reserves		35 986 552		435 125	36 421 677	36 421 677
Transfer from Reserves		-2 634 374	-17 266	-744 750	-3 396 391	-3 396 391
Transfer to Accumulated Surplus				-1 106 793	-1 106 793	
Correction of Error						-
Assets Transferred Distribution Account		-2 358 028			-2 358 028	-2 358 028
Surplus for the year						32 682 340
Property, Plant and Equipment purchases						-435 125
Capital grants used to purchase property, plant and equipment					-	-35 986 552
Offsetting of Depreciation						-
Balance as at 30 June 2011	5 855 936	87 389 211	233 657	2 384 174	95 862 977	93 891 854

	2011 R	2010 R
3. Long term liabilities		
Non-current liabilities portion of loans	2 529 527	2 757 047
Local Registered Stock Loans	-	-
Annuity Loans	-	-
Capitalised Lease Liability	2 529 527	2 757 047
Government Loans: Other	-	-
Less: Current portion transferred to Current Liabilities	1 156 128	890 484
Local Registered Stock Loans	-	-
Annuity Loans	-	-
Capitalised Lease Liability	1 156 128	890 484
Government Loans: Other	-	-
Total External Loans	3 685 655	3 647 531

Refer to Appendix A for more detail on long term liabilities

The Capitalised lease liability is secured over the item of infrastructure lease over a period of five years at interest rate of 11% which is fixed for five year period of the Financial Lease Agreement

4. Provisions

Reconciliation of Provisions - 2011

Current

Performance Bonus, leave pay and overtime
Current portion of long-service provision

Non-current

Long-service

Opening Balance	Additions	Utilised during the year	Closing Balance
R	R	R	R
1 064 932	319 807	195 148	1 189 591
-	-	-	-
1 064 932	319 807	195 148	1 189 591

Reconciliation of Provisions - 2010

Current

Performance Bonus, leave pay and overtime
Current portion of long-service provision

Non-Current

Long-service

Opening Balance	Additions	Utilised during the Year	Closing Balance
R	R	R	R
741 732	369 176	45 976	1 064 932
-	-	-	-
741 732	369 176	45 976	1 064 932

Performance Bonus

All employees who are employed in accordance with the provisions of Section 57 of the Municipal Systems Act are required, in terms of the their employment contracts, to sign a performance agreement and performance plan in terms of which their performance is assessed annually. Employees are assessed quarterly and against the targets agreed and a final assessment is conducted at the end of the financial year. The performance bonus paid to each employee is dependant on the overall score achieved in the assessment and is subject to the approval of the Municipal Manager

5. RETIREMENT BENEFIT INFORMATION

Defined Contribution Plan

The Council provides retirement benefits to employees by contributing to pension and provident funds. Membership of either pension or provident fund is compulsory for all permanent employees.

The personnel are members of the following pension funds:

Kwazulu-natal Joint municipal provident fund

Actuarial valuation as at 31 March 2010. (latest information not yet available)

Results of valuation

The Fund self-insures its risk benefits in excess of the full benefit. It therefore maintains a Risk Reserve Account as a measure of protection against volatility in claims experience. The amount of R12, 779,000 is required to be held in the Risk Reserve Account. The market value of the assets exceeded the Liabilities by R17,651,000 or about 2,34% of the Share Account at the valuation date. At the previous valuation date is was a deficit

The Investment Reserve Account far exceeds the deficit, so that the Fund is financially sound as at the valuation date.

Benefits:

- : Pension age 65 years
- : Earliest retirement age 58 years
- : Full benefit - Initial transfer plus member's contributions plus employer's contributions for full benefits plus investment earnings and bonuses
- : Member's portion of full benefits - Initial transfer plus members contribution: plus local authorities contributions for full benefits plus interim, special and final bonuse:
- : Benefit on retirement after earliest retirement age or pension age - Full benefit.
- : Benefit on retirement because of ill health - Full benefit
- : Benefit on death in service - Full benefit plus 0,7% of annual pensionable salary for each month of potential service to a maximum of 2.1 years salary

Contributions:

- : Members may choose to contribute at a rate of 5%,7% or 9,25% of their pensionable emoluments in terms of regulation 14(a)
- : Participating employers contribute at a rate of 1,95 times of the rate of members contribution in terms of regulation 17(1)(b).

Notes to the annual financial Statements

: Of the contribution by the Employer, 3.75% of pensionable emoluments is applied to meeting cost of the risk benefits and expense:

Benchmark: The benchmark asset allocation determined as being appropriate for the fund, which takes cognisance of membership and liability profile, is stated below

Domestic Investments:	753 288 000
International Investments	52 730 000
Risk Reserve Account	12 779 000
Unallocated Assets (deficit)	17 651 000
Membership	<u>8 837</u>

Natal Joint Pension Fund:

**Natal Joint Municipal Pension Fund:(Retirement)
Interim actuarial valuation**

An interim actuarial valuation was performed on 31 March 2010.

The market value of the Fund's assets was R 1,835,990 at 31 March 2010.

The DCF method of valuation has been applied for the purposes of determining the Fund's financial condition.

The funding level in respect of contributory members has deteriorated slightly reducing from 79.5% to 79.0%. The primary reason for this is that salary increases were higher than expected.

On the DCF funding level has improved and the overall shortfall has decreased. The valuation disclosed a surplus of R114.3 million in respect of pensioners and a shortfall of R243.2 million in respect of members.

The regulations of the fund have been amended with effect from 1 July 2004, so that the Committee of Management is able to levy a separate surcharge on local authorities which grant excessive salary increases, thereby causing a financial strain on the Fund to the detriment of other stakeholders.

The employers are no longer permitting members to join the Fund, so that it is effectively closed to new members. This means that the average age will increase over time which, in turn, means that the required rate of contribution will also increase.

Thus, once the surcharge ceases, the underlying rate of contribution will not be sufficient to meet the cost of the benefits. It is necessary to set aside a reserve to hold assets equal to the expected shortfall. For this reason a "Contribution Reserve" is held equal to the present value of the shortfall in terms of the Financial Services Board's Circular PF117 for the 5 years to 2015 when it is expected that the surcharge will cease.

Benefits:

: Members Contributions - 7% of Pensionable salaries plus a surcharge of 1.65 % of pensionable salary in respect of members who were members at 30 June 2002

: Pension age 65 Years

: Final average Salary - Average annual pensionable salary during the last year of service

: Pension on retirement at pension age - 2.1% of final average emoluments per year of continuous service.

: Lump sum on retirement at pension age - 5.5% of final average emoluments per year of service.

: Pension on retirement because of ill-health (minimum ten years continuous service) - Pension as for retirement at pension age

: Lump sum on retirement because of ill-health (minimum 10 years continuous service) - Lump sum as for retirement at pension age

: Lump sum on retirement because of ill health (less than ten years continuous service) - The greater of the resignation benefit or twice the members contributions

: Surviving Spouses pension on death in service - 1.05% of final average emoluments per year of continuous service that the member would have had at the pension age

: Surviving Spouses pension on death of pensioner - 1.05% (0.77% in the case of a pensioner who retired before 1 July 1999) of final average emolument per year of continuous service.

: Lump sum on death in service - Annual pensionable emoluments

: Withdrawal - members contribution plus 5/12% for each month of continuous service (the addition is approximately equal to compound interest at 10% a year) and increased by 5% for each complete year of service up to a maximum of 20 years.

Benchmark Investments	1 563 444 000
Domestic	272 546 000
International	
Membership	<u>4 008</u>

	2011 R	2010 R
6. Consumer Deposits		
Water and Other Deposits	-	-
In terms of Councils by-laws no interest is raised or paid		
7. Trade Creditors		
Trade payables	825 384	6 467 227
Amounts received in advance	-	-
Retentions	378 215	1 493 330
Library Creditors	-	38 090
Other payables	-	65 395
Total Trade Creditors	1 203 599	8 064 042
8. Unspent conditional grants and receipts		
8.1 Conditional Grants from other spheres of Government		
Department of Provincial and Local Government-FMG	311 092	566 061
Department of Sports and Recreation - KwaZulu Natal - Sports Fields	-	25 245
Department of Transitional and Local Government Affairs-MAF	125 885	384 508
National Government - Municipal Infrastructure Grants - Access Roads	-	1 147 646
National Government - Equitable Share - Access Roads	409 078	869 301
Ndwedwe Small Factories	1 617 096	3 377 463
NDPG - Building	2 235 805	1 161 199
Conditional Grants from other spheres of Government	4 698 957	7 531 423
8.2 Other Conditional Receipts - Operating		
Establishment Grant	-	-
Municipal System Infrastructure	-	-
Land Use Management System	60 661	60 661
Capacity Support	-	-
MFMA	50 324	-
GIS Support	-	-
MPRA Grant	323 519	323 519
Municipal Development Planning	41 492	41 492
Audit Committee and Internal Control	30 803	65 562
Private Donations	-	-
CDW/LED Grant	22 503	22 503
Valuation Roll	177 509	438 099
Nhlangakazi Project	169 116	169 116
Public Participation	-	-
Dube Trade Port Gijima KZN	-	-
Technical Support MIIPS	10 000	10 000
Good Governance	-	-
Synergistic Partnership/Amakhosi	62 090	101 490
Basic Booking	-	1 179
Bhamshela Nodal Development	661 175	981 459
Hlalisile Women Co-op	-	-
Library Cybercadet	74 845	-
Multi Purpose Hall (CDC)	-	295 333
Kwaloswe Tourism Project	207 529	211 200
Governance and Administration Expert	618 270	-
Housing Grant	192 390	-
Other Conditional Receipts - Operating	2 702 227	2 721 614
Total Conditional Grants and receipts	7 401 185	10 253 037
See note 20 for reconciliation of grants from other spheres of Government		
9. CASH AND CASH EQUIVALENTS		
Refer to Note 43 for details on Bank accounts and balances		
Cash and cash equivalents consist of:		
Cash on hand	1 000	1 000
Bank Balances	829 870	2 173 226
Bank Balances and Cash	830 870	2 174 226
Bank Overdraft	-	-
Short Term Investments	830 870	2 174 226
Unlisted		
Short term Deposit - Standard Bank	-	2 451 623
Short term Deposit - First National Bank	1 807 637	9 434 019
Short term Deposit - ABSA	898 108	5 149 253
Short term Deposit - Investec	73 392	-
	2 779 136	17 034 895
Cash and Cash equivalents	3 610 006	19 209 121

10. Property, Plant and Equipment

	2011			2010		
	R	R	R	R	R	R
	Cost / Valuation	Accumulated Depreciation	Carrying Value	Cost / Valuation	Accumulated Depreciation	Carrying Value
Land and Buildings	13 535 060	379 158	13 155 902	13 415 058	802 510	12 612 548
Infrastructure	59 443 169	3 388 925	56 054 243	33 544 899	1 872 550	31 672 349
Community	25 071 319	2 151 064	22 920 255	18 580 603	1 627 375	16 953 228
Other Assets	10 045 391	6 236 193	3 809 198	9 632 868	5 480 444	4 152 424
Veehicles	404 474	183 101	221 373	404 474	102 206	302 268
Total	108 499 413	12 338 441	96 160 972	75 577 903	9 885 085	65 692 818

Reconciliation of Property, Plant and Equipment - 2011

	Opening Balance	Additions	Disposals	Transfers	Prior Period Error	Work-in- Progress	Depreciation	Total
	R	R	R	R	R	R	R	R
Land and Buildings	13 415 058	120 635	-633			-	379 158	13 155 902
Infrastructure	33 544 899	20 012 827	-	-	-	5 885 442	3 388 925	56 054 243
Community	18 580 603	8 470 661	-3 464 821		-	1 484 876	2 151 064	22 920 255
Other Assets	9 632 868	1 371 406	-958 883	-	-	-	6 236 193	3 809 198
Specialised Vehicles	404 474	-	-			-	183 101	221 373
Total	75 577 903	29 975 529	-4 424 338	-	-	7 370 319	12 338 441	96 160 972

Reconciliation of Property, Plant and Equipment - 2010

Land and Buildings	5 176 100	7 852 726				386 234	802 510	12 612 550
Infrastructure	22 958 014	8 283 796	-932 940	-		3 236 027	1 872 550	31 672 347
Community	12 193 342	753 699		2 294 000		3 339 563	1 627 375	16 953 229
Other Assets	8 746 317	887 546	-995			-	5 480 444	4 152 424
Special Vehicles	404 474						102 206	302 268
Total	49 478 247	17 777 767	-	-933 935	2 294 000	6 961 824	9 885 085	65 692 818

Refer to Appendix B for more detail on Property, Plant and Equipment, including those in the course of construction

As at 30 June 2011 the municipality has assessed items of other assets excluding land and buildings for impairment and revaluation

Land and buildings were revalued to fair value by using depreciated replacement values. The effective date of the revaluation was 30 June 2009.

The revaluation was done by Property Valuers, registered and independent valuers. The NHBR indices, which indicate current building costs, were used to determine replacement values

The municipality has taken advantage of the Accounting Standard Board's Directive 4 (Transitional Provision for the adoption of Standards of GRAI for Medium and Low Capacity Municipalities – Dated February 2008) with regards to GRAP 17 Property Plant and Equipment and GRAP 102 Intangible Assets.

The prior period error was as a result of oversight now being disclosed and depreciation has calculated retrospectively

11. INTANGIBLE ASSETS

	2011			2011		
	R	R	R	R	R	R
	Cost	Accumulated amortisation	Carrying Value	Cost	Accumulated amortisation	Carrying Value
Servitudes	-	-	-	-	-	-
Computer Software	-	-	-	1 592 504	-	1 592 504
Total	-	-	-	1 592 504	-	1 592 504

Reconciliation of Intangible Assets - 2011

	Opening Balance	Additions	Disposals	Transfers	Work-in- Progress	Depreciation	Total
	R	R	R	R	R	R	R
Servitudes	-	-	-			-	-
Computer Software	1 592 504	13 655	-		-	-	1 606 159
Total	1 592 504	13 655	-	-	-	-	1 606 159

Reconciliation of Intangible Assets - 2010

Servitudes	-	-				-	-
Computer Software	1 592 504	-	-			-	1 592 504
Total	1 592 504	-	-	-	-	-	1 592 504

At present the Municipality has in terms of Directive 4 of the Accounting Standards Board and Gazette 30013 opted to use of the three year transitional phase-in period allowed in terms of paragraph 75 and 78 of directive 4 issued by the Accounting Standard Board. Once unbundling is completed assets will be depreciated retrospectively.

The Municipality in terms of GRAP 103 Heritage Assets do not hold any heritage assets at present

Notes to the annual financial statements

	2011 R	2010 R
12. INVESTMENTS		
Listed		
RSA Government Stock		
Unlisted		
Short term Deposit - Standard Bank	-	-
Short term Deposit - First National Bank	-	-
Short term Deposit - ABSA	-	-
	-	-
Financial Instruments		
Fixed Deposits	-	-
Total Cash Investments	-	-
Total Investments	-	-
Market valuation of listed investments		
RSA Government Stock	-	-
	-	-
Council's valuation of unlisted Investments		
Short Term Deposits	-	-
Call Investments	-	-
	-	-

13. INVENTORIES

Consumable Stores
Maintenance Material

-	-
-	-
-	-

There are no significant inventories held by the municipality that will have any effect on the Statement of Financial Position for this financial period.

14. Consumer Debtors

As at June 2011

Service Debtors

Assessment Rates
Other Revenue

Gross Balances	Provision for Bad Debts		Net Balances
R	R	R	R
2 870 479	-	-	2 870 479
-	-	-	-
2 870 479	-	-	2 870 479

As at June 2010

Service Debtors

Assessment Rates
Other

2 249 654	-	2 249 654
-	-	-
2 249 654	-	2 249 654

Assessment Rates: Ageing

Current (0 - 30 days)
31 - 60 Days
61 - 90 Days
91 - 120 Days
121 - 365 Days

184 499	-
148 228	490 263
112 444	-257 630
-433 270	84 950
2 858 575	1 931 971
2 870 476	2 249 654

Notes to the annual financial statements

Summary of Debtors by Customer Classification	Consumers R	Industrial/ Commercial R	National and Provincial Government R
As at June 30, 2011			
Current (0 - 30 days)	26 106.59	144 893.42	13 499.24
31 - 60 days	23 188.43	112 862.36	12 176.73
61 - 90 days	25 874.53	118 542.84	-31 973.44
91 - 120 days	24 909.40	114 363.36	-572 543.16
121 - 365 Days	517 534.69	983 428.89	1 357 611.50
Sub-total	617 613.64	1 474 090.87	778 770.87
less Provision for bad debts	-	-	-
	617 613.64	1 474 090.87	778 770.87
As at June 30, 2010			
Current (0 - 30 days)			
31 - 60 days	12 144.68	541.65	477 576.42
61 - 90 days	12 142.82	541.69	-270 314.17
91 - 120 days	12 144.68	541.65	72 263.47
121 - 365 Days	109 292.82	4 875.01	1 817 903.48
Sub-total	145 725.00	6 500.00	2 097 429.20
less Provision for bad debts	-	-	-
	145 725.00	6 500.00	2 097 429.20

	2011 R	2010 R
15 Debtors		
Accrued Revenue	17 683	162 103
Other Debtors	137 585	139 413
Distribution Account-KDM	1 078 127	-
	1 233 395	301 516

16. Call Investment Deposits

Call Account	-	-
	-	-

17. VAT

VAT reconciliation		
VAT receivable	7 348 719	4 611 308
VAT Payable	5 457 850	3 663 448
NET VAT	1 890 869	947 860

18. Assessment Rates

Rates Raised

Residential	2 660 689	2 532 566
Commercial	-	-
State	-	-
Agriculture	-	-
	2 660 689	2 532 566

Valuations

Residential (Including Agriculture Residential)	14 172 000	19 869 000
Agriculture (Residential/Commercial)	17 070 000	17 200 000
Commercial	230 000	230 000
Agriculture	419 058 000	419 058 000
Institutional	168 816 000	168 816 000
Special Purposes	1 470 000	1 470 000
State/PSI	59 924 000	59 924 000
Municipal	-	-
	680 740 000	686 567 000

The municipal valuations and property rates was implemented with effect 1 July 2009 in terms of Municipal Property Rates Act.

Valuations on land and buildings are performed every four years. The first valuation roll came into effect on 1 July 2009. Interim valuations are processed on a quarterly basis to take into account changes on individual property values due to alterations, consolidation, subdivisions and new township development. Various rates in the Rand were applied in accordance with category determined in terms of the Municipal Property Rates Act. Rebates applicable were applied in line with the municipal property rates policy. Rates are levied on a monthly basis in terms of municipal rates policy and interest is charged on outstanding amounts as determined by the municipality in terms of rates policy and tariff of charges.

Notes to the annual financial statements

	2011 R	2010 R
19. Service Charges		
Other Services	-	-
	-	-
20. Government grants and Subsidies		
Equitable Share	43 443 273	32 685 515
Municipal Infrastructure Grant and other Capital Grants	18 048 669	17 243 609
Department of Co-operative Governance and Traditional Affairs KZN	2 911 835	4 412 551
Department of Finance: National Treasury	11 219 629	2 032 075
Grant Subsidy-iLembe District Municipality	1 000 000	-
	76 623 405	56 373 750
21 Other Income		
Interest earned - External Investments	1 064 009	2 287 885
Interest earned - Outstanding Debtors	50 383	-
Profit on sale of assets	181 962	-
Other Income	207 775	457 887
	1 504 128	2 745 772
22 Fair Value Adjustments		
Fair Value Adjustments - Payables	-	-
Fair Value Adjustments - Receivables	-	-
Investments - Financial Instruments	-	-
	-	-

Notes to the annual financial statements

	2011 R	2010 R
23. Employee related costs		
Employee related cost - Salaries and Wages	13 599 119	11 303 251
Bonus	173 315	-
Employee related cost - Contributions, UIF, Pension and Medical Aids	2 710 854	2 362 769
Travel, motor car and other allowances	1 052 206	938 488
Housing Benefits and allowances	184 811	170 632
Overtime and relief payments	435 638	257 976
	18 155 943	15 033 116
There were no advances to employees.		
Included in the employee related costs are the following:		
Remuneration of the Municipal Manager		
Annual Remuneration	671 351	604 800
Housing Allowance	60 000	60 000
Performance Bonus	62 784	-
Car Allowance	120 000	120 000
Contributions to UIF, Pension and Medical Aid	1 497	1 497
	915 632	786 297
Remuneration of Individual Head of Departments		
Chief Financial Officer		
Annual Remuneration	480 224	437 183
Housing Allowance	-	-
Performance Bonus	45 004	-
Car Allowance	60 000	60 000
Contributions to UIF, Pension and Medical Aid	71 521	67 890
	656 748	565 073
Infrastructure Services		
Annual Remuneration	443 684	405 948
Housing Allowance	-	-
Performance Bonus	31 774	-
Car Allowance	129 528	121 977
Contributions to UIF, Pension and Medical Aid	54 974	51 272
	659 960	579 197
Corporate Services		
Annual Remuneration	392 102	416 189
Housing Allowance	-	-
Performance Bonus	-	-
Car Allowance	116 438	121 977
Contributions to UIF, Pension and Medical Aid	1 248	998
	509 787	539 164
Economic and Community Services		
Annual Remuneration	421 947	388 930
Housing Allowance	-	-
Performance Bonus	33 753	-
Car Allowance	123 101	112 843
Contributions to UIF, Pension and Medical Aid	66 696	61 726
	645 497	563 499
24. Remuneration of councillors		
Total Councillors Remuneration		
Mayor	519 167	483 771
Deputy Mayor	192 645	177 674
Speaker	254 470	227 739
Executive Councillors	760 337	669 141
Councillors	3 666 211	3 272 527
Councillors pension contributions	483 088	516 614
Telephone allowances	406 373	373 950
Traveling Allowances	716 352	691 836
Medical Aid Contributions	174 271	173 935
	7 172 912	6 587 187
In kind benefits		
The Mayor and Speaker are full-time. Each is provided with an office and secretarial support at the cost of the council which is included with other expenditure in the Statement of Financial Performance		
The Mayor has use of a council owned vehicle for official duties.		
The Mayor has a full time body guard and driver		

Notes to the annual financial statements

	2011 R	2010 R
25. Finance Cost		
Interest Paid - Long Term liabilities	588 021	620 918
Finance Cost - Fair value adjustments	-	-
	588 021	620 918
26. Provisions		
Leave Provisions	319 807	369 176
Total Grants and Subsidies Paid	319 807	369 176
No grants and subsidies paid or awarded		
27. Bulk Purchases		
Electricity	-	-
Water	-	-
Total Bulk Purchases	-	-
28. General Expenses		
General Expenses	16 436 009	20 206 581
	16 436 009	20 206 581
29. Cash Generated by Operations		
Surplus/(Deficit) for the year	32 682 340	14 075 326
Adjustments for:	-30 918 174	787 834
Depreciation - PPE	4 015 000	2 909 079
Loss on Sale of Assets - PPE	-	-
Contributions PPE	-36 421 677	-
Profit on Sale of Assets - PPE	-181 962	-
Investment Income	-1 064 009	-2 287 885
Finance Charges	588 021	620 918
Operating Grants	-	-
Reversals	-	-131 078
Movements Appropriations for 2008/2009	-	-
Movements in provisions	-124 659	-323 200
Non-Cash Items	2 271 112	-
Contributions to Bad Debt provision	-	-
Changes in working capital	3 664 539	-14 929 131
Decrease in Inventories	-	-
(Increase)/decrease in Consumer Receivables	-620 825	2 249 654
(Increase)/decrease in Accounts Receivables	-931 879	28 795
(Decrease)/Increase in Conditional Grants and receipts	-2 851 853	-7 685 452
Increase/(Decrease) in Current Portion of Long Term Liabilities	265 644	-106 908
Increase in Deposits	-	-
Increase/(Decrease) in Accounts Payable and other Creditors	6 860 443	-6 583 712
Decrease in Provisions	-	-
Increase in VAT	943 009	-2 831 508
Cash generated from /(utilised in) operations	5 428 706	-65 971
30. Utilisation of Long-term Liabilities Reconciliation		
Long-term liabilities (See note 3)	1 156 128	890 484
Used to finance property, plant and equipment - at cost	1 156 128	890 484
Sub-total	1 156 128	890 484
Cash set aside for the repayment of long-term liabilities		
31. Commitments		
31.1 Commitments in respect of capital expenditure		
- Approved and Contracted for		
Infrastructure	3 159 592	3 462 755
Community	916 920	236 445
Other property, plant and equipment	-	-
Land and Buildings	9 283 787	4 538 662
	13 360 299	8 237 862
- This expenditure will be financed from:		
Government Grants	13 360 299	8 237 862
Own resources		
External Finance Fund		
	13 360 299	8 237 862

Notes to the annual financial statements

	2011 R	2010 R
32. Commitments Operation Leases/Finance Leases - as lessee (Expenditure)		
32.1 Operating Leases		
The future minimum lease payments payable under operating leases are as follows:		
- With in one year	127 129	127 129
- In second to fifth year inclusive	85 871	213 000
- Later than five years		
	<u>213 000</u>	<u>340 129</u>
32.2 Finance Leases		
Vehicle NDW 120		
Minimum lease payments due		
- With in one year	33 295	33 295
- In second to fifth year inclusive	69 365	102 660
- Later than five years	-	-
Vehicle NDW 1177		
Minimum lease payments due		
- With in one year	33 295	33 295
- In second to fifth year inclusive	69 365	102 660
- Later than five years	-	-
Vehicle NDW 116		
Minimum lease payments due		
- With in one year	49 124	49 124
- In second to fifth year inclusive	102 343	151 467
- Later than five years	-	-
Vehicle NDW 1082		
Minimum lease payments due		
- With in one year	49 124	49 124
- In second to fifth year inclusive	102 343	151 467
- Later than five years	-	-
Vehicle NDW 1122		
Minimum lease payments due		
- With in one year	49 124	49 124
- In second to fifth year inclusive	102 343	151 467
- Later than five years	-	-
Vehicle NDW 1169		
Minimum lease payments due		
- With in one year	49 124	49 124
- In second to fifth year inclusive	102 343	151 467
- Later than five years	-	-
Vehicle NDW 1084		
Minimum lease payments due		
- With in one year	49 124	49 124
- In second to fifth year inclusive	102 343	151 467
- Later than five years	-	-
Vehicle NDW 1086		
Minimum lease payments due		
- With in one year	49 124	49 124
- In second to fifth year inclusive	102 343	151 467
- Later than five years	-	-
Vehicle NDW 1085		
Minimum lease payments due		
- With in one year	62 131	62 131
- In second to fifth year inclusive	129 441	191 572
- Later than five years	-	-
Vehicle NDW 1087		
Minimum lease payments due		
- With in one year	84 059	84 059
- In second to fifth year inclusive	175 123	259 181
- Later than five years	-	-
Vehicle NDW 1083		
Minimum lease payments due		
- With in one year	84 059	84 059
- In second to fifth year inclusive	175 123	259 181
- Later than five years	-	-
Vehicle NDW 1081		
Minimum lease payments due		
- With in one year	64 106	64 106
- In second to fifth year inclusive	133 555	197 661
- Later than five years	-	-
GRADER		
Minimum lease payments due		
- With in one year	623 135	623 135
- In second to fifth year inclusive	1 661 692	2 284 827
- Later than five years	-	-

Notes to the annual financial statements

	2011 R	2010 R
Vehicle NDW 1246		
Minimum lease payments due		
- With in one year	117 292	117 292
- in second to fifth year inclusive	322 553	439 845
- Later than five years	-	-
Vehicle NDW 278		
Minimum lease payments due		
- With in one year	98 824	-
- in second to fifth year inclusive	181 996	-
- Later than five years	-	-
Vehicle NDW 279		
Minimum lease payments due		
- With in one year	98 824	-
- in second to fifth year inclusive	181 996	-
- Later than five years	-	-
Vehicle NDW 296		
Minimum lease payments due		
- With in one year	108 121	-
- in second to fifth year inclusive	189 169	-
- Later than five years	-	-
The comparatives have been restated to provide more accurate information		
33. Financial Instruments		
33.1 Debtors:		
Consumer	2 870 479	2 249 654
Other Debtors	1 233 395	300 484
VAT	1 890 869	948 329
Sub-Total	5 994 743	3 498 467
Less: Provision for Bad Debts	-	-
Sub-Total	5 994 743	3 498 467
33.2 Creditors -		
Payables	-825 384	-6 467 227
Deposits	-	-
Sub-Total	-825 384	-6 467 227
Included in the payables are Trade Creditors amounting to R1028793 and other creditors amounting to R1596816 and will these amounts be paid during the next financial period		
33.3 Borrowings -		
Financial Lease - 3 yrs	-2 529 527	-2 768 866
Current Portion	-1 156 128	-890 484
Sub-Total	-3 685 655	-3 659 350
The long term liabilities consist of a Financial Lease with First National Bank for the purchase of Vehicles and are installment paid on monthly basis over period of five years		
33.4 Bank and Cash - Balance	830 870	2 174 226
	830 870	2 174 226
Total	2 314 574	-4 453 884
34. Contingencies		
Contractual Disputes	-	-
There were no contractual disputes during the year and none outstanding		
35. Related parties		
Related parties transactions		
Sub-Lease Payments		
The municipality has no related party transactions		
36. Corrections of Prior Year Errors		
The following adjustments were made to amounts previously reported in the annual financial statements:		
	633	-
Property Plant and Equipment	633	-
Accummulated Surplus	-	-

Notes to the annual financial statements

	2011 R	2010 R
37. Change in Accounting Policy		
The following adjustments were made to amounts previously reported in the annual financial statement of the municipality arising from the full compliance of GRAP standards and expiry of exemptions as per Government Gazette no. 30013:-		
Debtors		
Balance previously reported	-	-
Fair Value adjustment	-	-
	<u>-</u>	<u>-</u>
Creditors		
Balance previously reported	-	-2 625 609
Fair Value adjustments	-	-
	<u>-</u>	<u>-2 625 609</u>
Investments		
Balance previously reported	-	26 804 226
Fair Value adjustment	-	-
	<u>-</u>	<u>26 804 226</u>
Property, Plant and Equipment		
Balance previously reported	-	-
Accumulated Depreciation adjustment - Prior to 2009/10	-	-
Depreciation adjustment - 2009/10	-	-
	<u>-</u>	<u>-</u>
Reserve and Trust Funds		
Balance previously reported	-	-
Adjustment of Reserves and Funds - 2009/10	-	-
	<u>-</u>	<u>-</u>
Accumulated Surplus		
Balance previously reported	-	-
Accumulated Depreciation adjustments - Prior to 2009/10	-	-
Depreciation adjustment - 2009/010	-	-
Fair Value Adjustment - Debtors	-	-
Fair Value Adjustment - Creditors	-	-
Fair Value Adjustment - Investments	-	-
Value of Reserve now disclosed as part of Accumulated Surplus	-	-
	<u>-</u>	<u>-</u>
38. Post Reporting Date Events		
There were no events after reporting date to report on		
39. Comparison with Budget		
The comparison of the Municipality's actual financial performance with that was budgeted is set out in Annexure E(1) and E (2)		
40. Unauthorised, irregular, fruitless and wasteful expenditure Disallowed		
Unauthorised expenditure		
There are no known incidences of unauthorised expenditure		
Fruitless and wasteful expenditure		
There are no known incidences of fruitless and wasteful expenditure		
Reconciliation of irregular expenditure		

Notes to the annual financial statements

	2011 R	2010 R
40. Additional disclosure in terms of Municipal Finance Management Act		
Contributions to Organised local government		
Council subscriptions	131 746	34 800
Amount paid - current year	131 746	34 800
Balance unpaid (included in creditors)	-	-
Audit Fees		
Current year audit fee	908 873	581 837
Amount paid current year	908 873	581 837
Amount paid previous year	-	-
Balance unpaid (Included in creditors)	-	-

VAT

VAT inputs receivables and VAT outputs receivables are shown in note 17. All VAT returns have been submitted by the due date throughout the year.

Additional disclosure in terms of Municipal Finance Management Act - Continue

PAYE and UIF		
Current year payroll deductions	3 491 228	2 598 384
Amount paid - current year	3 491 228	2 598 384
Balance unpaid (Included in creditors)	-	-
Pension and Medical Aid Deductions		
Current year payroll deductions and council contributions	2 409 453	1 239 660
Amount paid - current year	2 409 453	1 239 660
Balance Unpaid (Included in creditors)	-	-

Councillors arrears

42. COMPARATIVE FIGURES

The following categories of comparative figures have been reclassified

Refer to statement of comparatives for more details

43. TAXATION

None

44. BANK BALANCES

Account number - Bank -Account Description	Cash Book Balance June 2011	30	Bank Statement Balance June 2011	30	Cash Book Balance June 2010	30	Bank Statement Balance June 2010	30
62027922930 - First National Bank- Cheque Account	829 870		829 870		2 173 226		2 167 906	
62137292653 - First National Bank - Cheque Account	-		-		-		-	
	829 870		829 870		2 173 226		2 167 906	

APPENDIX A
NDWEDWE LOCAL MUNICIPALITY: SCHEDULE OF EXTERNAL LOANS
30 JUNE 2011

EXTERNAL LOANS	LOAN NUMBER	Interest Rate	Date Repayable	Balance at 01/07/2010 R	Received During the Year R	Redeemed/ (Interest Capitalised) during this period R	Balance at 30/06/2011 R	Carrying Value of Property, Plant and Equipment R	Other Costs in Accordance with the MFMA
LONG-TERM LOANS									
Total Stock loans				-	-	-	-	-	
SHORT-TERM LOANS									
Annuity Loans									
Total Annuity Loans				-	-	-	-	-	
Government Loans									
Total Government Loans				-	-	-	-	-	
LEASE LIABILITIES									
First National Bank	001	11%	2014	3 647 530	927 683	889 559	3 685 655	3 685 655	3 685 655
Total Lease Liabilities				3 647 530	927 683	889 559	3 685 655	3 685 655	3 685 655
TOTAL EXTERNAL LOANS				3 647 530	927 683	889 559	3 685 655	3 685 655	3 685 655

APPENDIX B
NDWEDWE LOCAL MUNICIPALITY: ANALYSIS OF PROPERTY PLANT AND EQUIPMENT
30 JUNE 2011

	Cost/Revaluation				Closing Balance	Accumulated Depreciation			Closing Balance	Carrying Value	Budget Additions
	Opening Balance	Additions Revaluation	Under Construction	Disposal/ Adjustment		Opening Balance	Impairments/ Depreciation	Disposals/ Adjustment			
	R	R	R	R	R		R	R	R	R	R
Land and Buildings											
Land					-					-	
Buildings	13 415 058	120 635	-	-633	13 535 060	802 510	255 939	679 292	379 158	13 155 902	
	13 415 058	120 635	-	-633	13 535 060	802 510	255 939	679 292	379 158	13 155 902	
Infrastructure											
Roads and Stormwater	32 472 093	18 602 301	4 268 586	-	55 342 980	1 775 222	1 475 942	-	3 251 164	52 091 816	
Car Parks	686 022	168 300	-		854 322	8 979	22 839	-	31 818	822 504	
Electricity	299 974		1 462 809		1 762 783	84 655	13 311	-	97 966	1 664 817	
Other	86 810	1 242 226	154 047		1 483 083	3 694	4 282	-	7 976	1 475 107	
	33 544 899	20 012 827	5 885 442	-	59 443 169	1 872 550	1 516 375	-	3 388 925	56 054 243	
Community Assets											
Sports Fields	5 093 488	-	-		5 093 488	438 500	198 945	-	637 445	4 456 043	
Community Halls	9 174 869	5 036 571	1 484 876	-3 464 821	12 231 495	801 938	87 420	-	889 358	11 342 137	
Libraries	3 439 085	60 004			3 499 089	343 909	114 636	-	458 545	3 040 544	
Clinics	817 021	-			817 021	43 028	27 234	-	70 262	746 759	
Recreational Facilities	56 140	37 006			93 146		1 715	-	1 715	91 431	
Other	-	3 337 079			3 337 079		93 738		93 738	-	
	18 580 603	8 470 661	1 484 876	-3 464 821	25 071 319	1 627 375	523 689	-	2 151 064	22 920 255	
Heritage Assets											
Historical Buildings					-					-	
Museum					-					-	
Painting and Art Galleries					-					-	
	-	-	-	-	-	-	-	-	-	-	
Other Assets											
Other Motor Vehicles	3 602 673	927 683		-890 402	3 639 953	2 125 771	526 809	872 095	1 780 485	1 859 469	
Plant and Equipment	2 867 652	20 342	-		2 887 994	840 403	553 810	-	1 394 213	1 493 782	
Office Equipment	3 115 864	423 381		-68 481	3 470 764	2 505 294	598 087	53 196	3 050 186	420 579	
Security Measures	46 679	-			46 679	8 976	2 334	-	11 310	35 369	
	9 632 868	1 371 406	-	-958 883	10 045 391	5 480 444	1 681 039	925 291	6 236 193	3 809 198	
Specialist Vehicles											
Buses	404 474	-	-	-	404 474	102 206	80 895	-	183 101	221 373	
	404 474	-	-	-	404 474	102 206	80 895	-	183 101	221 373	
Intangible Assets											
Software	1 592 504	13 655			1 606 159					1 606 159	
	1 592 504	13 655	-	-	1 606 159	-	-	-	-	1 606 159	-
Total	77 170 407	29 989 184	7 370 319	-4 424 338	110 105 572	9 885 085	4 057 938	1 604 582	12 338 441	97 767 131	

APPENDIX C
NDWEDWE LOCAL MUNICIPALITY: SEGMENTAL ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT
30 June 2011

	COST					ACCUMULATED DEPRECIATION				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals/ Adjustments	Closing Balance	Opening Balance	Additions	Disposals/Adjustment	Closing Balance	
Executive and Council	382 817	1 209 913		89 538	1 503 193	356 607	122 584	914 369	-435 178	1 938 371
Finance	1 806 821	20 337		20 966	1 806 192	825 972	283 929		1 109 901	696 291
Economic & Community Services	16 939 333	8 810 472		3 566 501	22 183 304	2 311 108	794 447	30 291	3 075 264	19 108 040
Infrastructure Services: Technical	41 711 264	19 690 626	7 370 318	278 551	68 493 657	2 415 528	830 342	-	3 245 870	65 247 787
Planning	16 326 636	257 836	-	468 782	16 115 690	3 972 334	1 365 496		5 337 830	10 777 860
Other Assets	3536	-	-		3 536	3 536	1 216		4 752	-1 216
					-				-	-
Total	77 170 407	29 989 184	7 370 318	4 424 338	110 105 572	9 885 085	3 398 014	944 660	12 338 441	97 767 131

APPENDIX D
NDWEDWE LOCAL MUNICIPALITY:
STATEMENT OF FINANCIAL PERFORMANCE (PER VOTE)
AS AT 30 June 2011

2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/(Deficit) R		2011 Actual Income R	2011 Actual Expenditure R	2011 Surplus/(Deficit) R
	7 306 201	-7 306 201	Executive and Council	-	8 013 741	-8 013 741
560 268	6 746 975	-6 186 707	Municipal Manager	10 032 501	8 257 971	1 774 530
39 631 914	6 248 953	33 382 961	Finance	49 133 713	7 139 932	41 993 781
201 969	12 179 097	-11 977 128	Corporate Services	-	12 740 914	-12 740 914
1 919 621	10 028 061	-8 108 440	Economic and Community Services	2 762 457	6 794 532	-4 032 075
19 897 239	5 626 498	14 270 741	Infrastructure Services	19 048 669	5 347 911	13 700 758
62 211 011	48 135 785	14 075 226	Total	80 977 340	48 294 999	32 682 340

APPENDIX E (1)
NDWEDWE LOCAL MUNICIPALITY:
ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE)
FOR THE YEAR ENDED 30 JUNE 2011

REVENUE	2011 Actual (R)	2011 Budget (R)	2011 Variance (R)	2011 Variance (%)	Explanation of Significant Variances
Services Charges	2 660 689	3 038 703	-378 014	-12.44	
Rental of facilities and equipment	69 117	230 000	-160 883	-69.95	
Interest Earned - External Investments	1 064 009	3 000 000	-1 935 991	-64.53	
Interest Earned - Outstanding Debtors	50 383	250 000			
Government Grants and Subsidies	75 623 405	82 016 000	-6 392 595	-7.79	
Other Grants	1 000 000	1 000 000	-	-	
Other income	509 737	250 000	259 737	103.89	
Total Revenue	80 977 340	89 784 703	-8 607 746	-9.59	
Expenditure					
Executive and Council	8 013 741	7 844 591	-169 150	-2.16	
Municipal Manager	8 257 971	7 983 829	-274 142	-3.43	
Finance	2 463 275	7 242 861	4 779 586	65.99	
Corporate Services	12 740 914	14 340 926	1 600 012	11.16	
Economic and Community Services	6 794 532	7 351 814	557 282	7.58	
Infrastructure Services	5 347 911	7 867 682	2 519 771	32.03	
Total Expenditure	43 618 342	52 631 703	9 013 359	17.13	
NET SURPLUS/(DEFICIT) FOR THE YEAR	37 358 997	37 153 000	-17 621 105	-	

APPENDIX E (2)
 NDWEDWE MUNICIPALITY: ACTUAL VERSUS BUDGET
 (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)
 FOR THE YEAR ENDED 30 JUNE 2011

Description	2011 Actual (R)	2011 Under Construction	2011 Total Additions	2011 Budget (R)	2011 Variance (R)	2011 Variance (%)	Explanation of Significant Variances
Executive and Council		-	-	-	-	-	
Municipal Manager	8 172 030	-	8 172 030	15 000 000	-6 827 970	-45.52	Slow expenditure on construction of civic centre, some projects are in planning stage
Finance	-	-	-	-	-	-	
Corporate Services	342 019	-	342 019	497 000	-154 981	-31.18	
Economic Development and Planning	93 106	-	93 106	1 188 000	-1 094 895	-92.16	slow expenditure on construction mini factories
Infrastructure Services	21 336 075	7 370 319	28 706 394	21 238 000	7 468 394	35.17	
Total	29 943 230	7 370 319	37 313 549	37 923 000	-609 451	-1.61	

APPENDIX F: GRANTS AND SUBSIDIES RECEIVED- 30 JUNE 2011
DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 MFMA, 56 OF 2003

NAME OF GRANT	NAME OF ORGAN OF STATE	QUARTELY RECEIPTS				QUARTERLY EXPENDITURE				GRANTS AND SUBSIDIES DELAYED/ WITHHELD				REASON FOR DELAY/ WITHHOLDING OF FUNDS	DID YOUR MUNICIPALITY COMPLY WITH THE GRANT	REASON FOR NON COMPLIANCE
		Sept R	Dec R	Mar R	June R	Sept R	Dec R	Mar R	June R	Sept R	Dec R	Mar R	June R			
MSIG	COGTA	750 000				50 000	200 000	350 000	150 000						yes	
Housing	COGTA	40 975		263 750	262 610	40 975	-	263 750	70 220						yes	
FMG	National Treasury	1 200 000		-		-	-	-	-						yes	
MIG	COGTA	-	3 509 000	10 637 000		1 147 646	3 509 000	7 000 000	7 252 100						yes	
Library Support	Arts,Culture & Sports	12 000		96 000					-						yes	
NDPG	National Treasury		1 804 226	7 457 141		1 161 198	1 000 000	2 000 000	3 500 000						yes	
CDC Grant	ILembe DC			1 000 000				1 000 000							yes	
Good Governance & Admin	COGTA		725 000						106 730						yes	
GRAND TOTAL		2 002 975	6 038 226	19 453 891	262 610	2 399 819	4 709 000	10 613 750	11 079 050	-	-	-	-			

NOTE 1 ACCOUNTING POLICIES

1. BASIS OF PRESENTATION

The annual financial statements have been prepared on accrual basis in accordance with the Standards of Generally Recognised Accounting Practise (GRAP). The Financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below.

In accordance with section 122(3) of the Municipal Finance Management Act (Act No. 56 of 2003), the Municipality has adopted Standards of GRAP issued by the Accounting Standards Board during the financial year. The GRAP standards are fundamentally different to the fund accounting policies adopted in previous financial years. Comparative amounts have been restated retrospectively to the extent possible. The effect of the change in accounting policy arising from the implementation of GAMAP and GRAP is set out in Note 37

The Standards comprise the following:

- GRAP 1 Presentation of the Financial Statements
- GRAP 2 Cash flow Statements
- GRAP 3 Accounting Policies, Changes in Accounting Estimates and Errors
- GRAP 4 The effects of Changes in Accounting Estimates and Errors
- GRAP 5 Borrowing Cost
- GRAP 6 Consolidated and Separate Financial Statements
- GRAP 7 Investments in Associates
- GRAP 8 Investments in Joint Ventures
- GRAP 9 Revenue from Exchange Transactions
- GRAP10 Financial Reporting in Hyperinflationary Economics
- GRAP 11 Construction Contracts
- GRAP 12 Inventories
- GRAP 13 Leases (GRAP13)
- GRAP 14 Events After The Reporting Date
- GRAP 16 Investment Properties
- GRAP 17 Property, Plant and Equipment
- GRAP 19 Provisions, Contingent Liabilities and Contingent Assets
- GRAP 100 Non-Current Assets Held for Sale and Discontinued Operations
- GRAP 101 Agriculture
- GRAP 102 Intangible Assets

Accounting policies for material transactions, events or conditions not recovered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the South African Statements of Generally Accepted Accounting Practices (SAGAAP) including any interpretations of such Statements issued by the Accounting Practises Board.

Comparative amounts have been restated retrospectively to the extent possible. The effect of the change in the accounting policy arising from the implementation of GRAP is set out in the statement in accounting policy. Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by the Standards of GRAP.

The municipality has taken advantage of the Accounting Standards Board Directive 4 (Transitional Provision for the adoption of Standards of GRAP be Medium and Low Capacity Municipalities – Dated February 2008) with regards to GRAP 17 Property Plant and Equipment and GRAP 102 Intangible Assets.

Directives issued and effective:

Directive 1: Repeal of Existing Transitional Provisions in, and Consequential Amendments

Directive 2: Transitional Provisions for the adoption of Standards of GRAP by entities, and Constitutional Institutions

Directive 3: Transitional Provisions for the adoption of Standards of GRAP by High Capacity Municipalities

Directive 4: Transitional Provisions for the adoption of Standards of GRAP by Medium and Municipalities

Directive 5: Determining the GRAP reporting Framework

Directive 7: The adoption of Deemed Cost on the Adoption of Standards of GRAP

Approved Guidelines of Standards of GRAP:

Guide 1 Guideline on Accounting for Public Private Partnerships

Effective accrual based IPSAS's considering the provisions in paragraphs 15 to 19 of the Directive:

IPSAS 20 Related Party Disclosure

IPSAS 21 Impairment of Non-Cash-Generating Assets

Effective IFRS's and IFRIC's that are applied considering the provisions in paragraphs 20 to 26 of the Directive:

IFRS 3 (AC 140) Business Combinations

IFRS 4 (AC 141) Insurance Contracts

IFRS 6 (AC 143) Exploration for and Evaluation of Mineral Resources

IFRS 7 (AC 144) Financial Instruments: Disclosure

IAS 12 (AC 102) Income Taxes

IAS 19 (AC 116) Employees Benefits

IAS 32 (AC 132) Financial Instruments: Presentation

IAS 36 (AC 128) Impairment of Assets

IAS 39 (AC 133) Financial Instruments: Recognition and Measurements

SIC 21 (AC 421) Income Taxes – Recovery of revaluated Non- Depreciable Assets

SIC 25 (AC 425) Income Taxes – Changes in the Tax Status of an entity or its

Shareholders

SIC 29 (AC 429) Service Concession Arrangements: Disclosure

IFRIC 2 (AC 435) Members Shares in Co-operative Entities and Similar Instruments

IFRIC 4 (AC 437) Determining whether an Arrangement contains a lease

IFRIC 9 (AC 442) Reassessment of Embedded Derivatives
IFRIC 12 (AC 445) Service Concession Arrangements
IFRIC 13 (AC 446) Customer Loyalty Programmes
IFRIC 14 (AC447) IAS 19 – The limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
A summary of the significant accounting policies are disclosed below.

These accounting policies are consistent with the previous period, except for the changes set out in note First-time adoption of International Financial Reporting Standards.

1.1 BASIS OF CONSOLIDATION

The basis of consolidation of financial statements are presently not applicable due to the fact that the municipality have no investments with other entities nor is it involved in any joint ventures at present.

1.2 PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.3 GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis although the main source of revenue is equitable share received from Government.

1.4 Standards, amendments to standards and interpretations issued but not yet effective

GRAP 18: Segment Reporting – Issued March 2005:

Compliance with this standard would have had an effect on the presentation only. Financial information would have been reported by segments. The disclosure of this information will assist users of the financial statements to better understand the entity's past performance and to identify the resources allocated to support the major activities of the entity.

GRAP 23: Revenue from Non-Exchange Transactions (Taxes and Transfers) – Issued February 2008

Non-exchange transactions in which the entity receives services without directly giving equal value in exchange, has not been accounted for as revenue. The reason

being is that these type of transaction presently non applicable and therefore considered immaterial.

GRAP 24: Presentation of Budget Information in Financial Statements – Issued November 2007

Compliance with this standard would have had an effect on the presentation only. The budget information is disclosed in the appendices of the financial statements.

GRAP 25: Presentation of Employee Benefits – Issued November 2009

Compliance to the standard would have an effect on the presentation only. Financial information has been reported in notes to Annual Financial Statements and statement of performance. The disclosure of this information will assist users of the financial statements to evaluate the nature of the entity defined plans and the financial effect in those plans during the reporting period.

GRAP 103: Heritage Assets – Issued July 2008

Compliance to the standard would have no impact on the current information due the fact that there are no heritage assets disclosed in the Annual Financial Statements. Not with standing the above is the recognition and measurements requirements of the standards already adopted.

1.5 HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

1.6 RESERVES

1.6.1 Revaluation Reserve

The surplus arising from the revaluation of land and buildings is credited to a non-distributable reserve. The revaluation surplus is realised as re-valued buildings are depreciated, through a transfer from the revaluation reserve to the accumulated surplus/(deficit). On disposal, the net revaluation surplus is transferred to the accumulated surplus/(deficit) while gains or losses on disposal, based on re-valued amounts, are credited or charged to the Statement of Financial Performance.

1.6.2 Reserves

1.6.1.1 Capital Replacement Reserves

All previous credit balances of the Capital Development Fund are included in the accumulated Surplus/Deficit in the Statement of Financial Position.

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR. A corresponding amount is transferred to the CRR investment account. The amount in the CRR investment account can only be utilised of finance items of property plant and equipment. The CRR is reduced and the accumulated surplus/deficit is credited by a corresponding amount when the amounts in the CRR are utilised.

The amount transferred to the CRR is based on the municipality's need to finance future capital projects included in the Integrated Development Plan as well as for future infrastructure.

CRR is included in the accumulated Surplus in the Statement of Financial Position. In the prior year it was separately disclosed as statutory funds, previously required by the IMFO standards.

1.6.2.2 Capitalisation Reserve

On the implementation of GRAP, the balance of certain funds namely Loans redeemed and advances paid, and Contributions from ex-Operating Income, created in terms of the various Provincial Ordinances applicable at the time, that had historical been utilised for the acquisition of items of property, plant and equipment have been transferred to a capitalisation reserve instead of the accumulated surplus in terms of a directive (budget circular) issued by National Treasury and is the reserve managed as part of the accumulated surplus. The purpose of this reserve is to promote consumer equity by ensuring that the future depreciation expenses that will be incurred over the useful live of these items of property, plant and equipment are offset by transfer to the accumulated surplus/(deficit).

The balance on the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment is disposed, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus fund.

The Capitalisation reserve is included in the Accumulated Surplus in the Statement of Financial Position. Prior years it was disclosed under Employment of Capital – Fixed Assets and was separately disclosed.

1.6.2.3 Government Grant Reserves

In the prior years when items of property, plant and equipment were financed from government grants, a transfer was made from the accumulated surplus/deficit to the Government Grant recorded as revenue in the statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment were depreciated, a transfer was made from the Government Grant Reserve to the accumulated surplus/(deficit). The purpose of the policy was to promote community equity by ensuring that the future depreciation expenses that would have been incurred over the useful live of government grant funded items of property, plant and equipment were offset by transfers from this reserve to the accumulated surplus/(Deficit).

When a item of property, plant and equipment financed from government grants was disposed, the balance in the Government Grant Reserve relating to such item was transferred to the Accumulated surplus/(deficit)

Government Grant Reserve is included in the Accumulated Surplus in the Statement of Financial Position. In prior year it was disclosed under Employment of Capital – Fixed Assets and was separately disclosed.

1.6.2.4 Donations and Public Contributions

In the prior years when items of property, plant and equipment were financed from public contributions and donations, a transfer was made from the accumulated surplus/deficit to the Donations and Public Contributions Reserve recorded as revenue in the statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment were depreciated, a transfer was made from the Donations and Public Contributions Reserve to the accumulated surplus/(deficit). The purpose of the policy was to promote community equity and facilitate budgetary control by ensuring that sufficient funds were set aside to offset the future depreciation charges that would have been incurred over the useful live of the item of property, plant and equipment financed from Donations and Public Contributions.

When a item of property, plant and equipment financed from donations and public contributions was disposed, the balance in the Donations and Public Contributions Reserve relating to such item was transferred to the Accumulated surplus/(deficit)

Donations and Public Contributions Reserve is included in the Accumulated Surplus in the Statement of Financial Position. In prior year it was disclosed under Employment of Capital – Fixed Assets and was separately disclosed.

1.7 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost less accumulated depreciation. Heritage assets, which are culturally significant resources and which are shown at cost, are not depreciated regarding their estimated useful lives. Land is not depreciated as it is deemed to have an indefinite live.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. At present the Municipality has in terms of Directive 4 of the Accounting Standards Board and Gazette 30013 opted to make use of the three year transitional phase-in period allowed in terms of paragraph 75 and 78 of directive 4 issued by the Accounting Standard Board. Consultants have been appointed to itemize assets components where the useful life is different.

Where an asset is acquired by the municipality for no or nominal consideration, the cost is deemed to be equal to the fair value of that asset on the date acquired.

Subsequent Measurement

Subsequent to initial recognition, items for property, plant and equipment are measured at cost less accumulated depreciation and impairment identified during the financial period. Land was not depreciated due the fact that it is deemed to have an indefinite useful life.

Where parts of assets are replaced, the replaced part is derecognised and the new part is capitalised. Expenditure on an asset is capitalised only when it increases the capacity or future economic benefits associated with the asset.

Depreciation only commences when the assets are ready for their intended use.

Depreciation is calculated on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives: -

Details Years

Infrastructure

- Roads 15 years
- Economic Development 20 years
- Stormwater Drainage 20 years
- Street Lighting 20 years

Community

- Buildings 30 years
- Recreational Facilities 20 – 30 years

Other property, plant and equipment

- Buildings 30 years
- Informal Markets 30 years
- Building Improvements 20 years
- Heavy and mobile plant 10 years
- Furniture and fittings 7 years
- Vehicles 5 years
- Bins and containers 5 years
- Plant – general 5 years
- Security System 5 years
- Office equipment 3 - 5 years
- Other items of Plant and equipment 3 – 5 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

Provision is made for this obligation in accordance with the Municipalities accounting policy on non-current provisions – See Accounting Policy 1.12 on provisions.

The residual value, the useful life of an asset and the depreciation method is reviewed annually and any changes are recognised as a change in accounting estimate in the Statement of Financial Performance.

The Municipality test for impairment where there is an indication that an asset may be impaired. An assessment of whether there is an indication of possible impairment is done at each reporting date. Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance

1.8 INTANGIBLE ASSETS

Initial Recognition

Intangible assets are initially recognised at cost and comprise of software acquired by the municipality.

At present the Municipality has in terms of Directive 4 of the Accounting Standards Board and Gazette 30013 opted to make use of the three year transitional phase-in period allowed in terms of paragraph 75 and 78 of directive 4 issued by the Accounting Standard Board. Consultants will be appointed to itemize assets components where the useful life is different.

Computer software is capitalised to computer equipment where it forms an integral part of computer equipment.

Subsequent Measurements

The cost of an intangible asset is depreciated over the useful life where that life is finite. Where the useful is indefinite, the asset is not depreciated but is subject to impairment tests.

Depreciation

Depreciation is charged so as to write off cost of intangible assets over their estimated useful lives, using the straight line method as follows:

Computer Software 5 years

1.8 IMPAIRMENT OF ASSETS

The municipality assesses at each reporting date whether there is any indication that an assets may be impaired. If there are any such indications the municipality estimates the recoverable amount of the asset.

1.9 FINANCIAL INSTRUMENTS

Initial recognition

Financial instruments are initially recognised at fair value.

Subsequent Measurements

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables. Financial liabilities are categorised at fair value through profit or loss or financial liabilities carried amortisation cost. The subsequent measurement of financial assets and liabilities depends on categorisation and, in the absence of an approved GRAP standard on Financial instruments, is in terms of IAS39.

Debtors

Debtors are recognised at fair value and measured at amortised cost using the effective interest method, less provision for impairment (Bad Debt). A provision for impairment of debtors is established when there is objective interest evidence that the municipality will not be able to collect all amounts due according to the original terms of the debtors.

The amount of the provision is the difference between the asset's carrying value and the present value of estimated future cash flows, discounted at the effective interest rate. Impairment losses are recognised in the Statement of Financial Statement.

An estimate is made for doubtful debts based on the categorisation of debts and a review of past trends in collection rates applied to all outstanding amounts at year-end.

Creditors

Trade creditors are stated at cost

Cash and cash equivalents

For cash flow purposes cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are recorded based on the facilities utilised. Finance charges on bank overdraft are expensed as incurred.

Borrowing and other financial liabilities

Borrowings are recognised initially at fair value, net of transaction cost incurred. Borrowings are subsequently stated at amortised cost: any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of financial performance over the period of the borrowings using the effective interest method.

Long term borrowings are non-derivative financial loans and the municipality does not financial loans for trading purposes. Long term borrowings are utilised solely for capital projects and the book value is disclosed at amortised cost.

Other financial liabilities are carried at amortised cost.

Loans and receivables

Loans and receivables are non-derivative financial assets with a fixed or determinable payments that are not quoted in the active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in trade and other receivables in the Statement of Financial Position at cost.

1.10 INVESTMENTS

The Municipality classifies its investments in the following categories: loans and receivables and held-to-maturity investments. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-valuations this designation at every reporting date.

1.11 Inventories

Initial Recognition

Inventories are initially recognized at cost. Cost general refers to the purchase price, plus taxes, transport costs and any other cost in bringing the inventories to their current location and condition.

Subsequent Measurement

Consumable stores and maintenance materials are valued at the lower cost and net realisable value. In general, the basis of determining cost is the First in First out method.

1.12 Borrowing Costs

Borrowing Cost is recognised as an expense in the period in the Statement of Financial Performance.

1.13 PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the Municipality.

1.14 RETIREMENTS BENEFITS

1.14.1 PENSION OBLIGATIONS

The municipality and its employees contribute to two pension funds that cater for the majority of the staff. The KZN Pension Fund is a defined contribution fund. The contributions to fund obligations for the payment of retirement benefits are charged against income in the year they become payable.

Defined benefit plans

The municipality provides retirement benefits for its employees. The contributions to fund obligations for the payment of the retirement benefits are charged against revenue in the year they become payable. The defined funds, which are administered on a provincial basis, are actuarially valued triennially according to the Discounted Cash Flow and Discontinuance Method Approach.

Defined contribution plans

The municipality provides retirement benefits for its employees. The contributions to fund obligations for the payment of retirement benefits are charged against revenue in the year it becomes payable. The defined contribution funds, which are administered on a provincial basis, are actuarially valued triennially according to the Discounted Cash Flow and Discontinuance Method Approach.

1.15 REVENUE

Revenue comprises of the consideration received or receivable for the sale of goods and services in the ordinary course of the Municipality's activities. Revenue is shown net of value added tax, estimated returns, rebates and discounts and after eliminated revenue within departments of the Municipality. Revenue is recognised as follows:

1.15.1 Revenue from Exchange Transactions

Service charges relating to sundry services are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month.

Interest and rentals are recognised on a time proportion basis.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariff.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised

1.15.2 Revenue from non-exchange transactions

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment is recognised when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

1.16 GRANTS, TRANSFERS AND DONATIONS

Income received from conditional grants, donations and subsidies is recognised to the

extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met, a liability is recognised and funds are invested until utilised.

Interest earned on the investments is treated in accordance with grant conditions. If it is payable to the funder, it is recorded as part of the creditor. If it is the Municipality interest, it is recognised as interest earned in the Statement of Financial Performance.

Grants and receipts of a revenue nature: Income is transferred as revenue to the Statement of Financial Performance to the extent that the criteria, conditions or obligations have been met.

1.17 LEASES

Finance Leases – The Municipality as lessee

Finance leases are recognised as assets and liabilities in the statements of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating Leases – The Municipality as lessee

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of financial performance over the period of the lease.

1.18 TAX

The municipality is exempted from tax in terms of section 10(1)(a) of the Income Tax Act.

1.19 UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.20 IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.21 FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.22 COMPARATIVE INFORMATION

1.22.1 Current year comparatives:

Budgeted amounts have been included in the annual financial statements for the current financial year only.

1.22.2 Prior year comparatives:

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.